

ROUTING

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NATIONAL INTELLIGENCE DAILY CABLE

Monday 13 November 1978

CG NIDC 78/264

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**NATIONAL SECURITY INFORMATION**

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National Intelligence Daily Cable for Monday, 13 November 1978

The NID Cable is for the purpose of informing senior US officials.

CONTENTS

IRAN: Breaking the Opposition

Page 1

25X1

BRAZIL: Short-Term Prospects

Page 3

PORTUGAL: Political Negotiations

Page 4

UNITED KINGDOM: Labor's Chances

Page 5

USSR: Salyut-6 Wrap-up

Page 7

BRIEF:

Page 8

Romania-Yugoslavia

IRAN: Breaking the Opposition

25X1 [ ] //The arrest Saturday of the leader of the Iranian opposition National Front marks the first step in an effort by the Shah to break the opposition's resolve and to encourage moderate opposition politicians to work out a political compromise that would offer some hope of restoring stability.//

25X1 [ ] //The Shah wants to check the movement into increasingly hard positions by his moderate opponents, some of whom are now calling for his abdication. [ ]

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25X1 [ ]  
25X1 [ ] //The Shah had not tried to curb opposition politicians earlier in the hope they might be persuaded to join a coalition government. He probably concluded that National Front leader Sanjabi had to be silenced because he had become the tool of exiled extremist religious leader Ayatollah Khomeini. [ ]

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25X1 [ ] //The confrontation that may develop in the next few days between the military government and the opposition over Sanjabi's arrest and the government's effort to break the oil industry strike will shape the course of the crisis. When the government's threat of dismissal to strikers failed to break the oil strike this weekend, the authorities arrested 170 strike leaders.//

25X1 [ ] //If the tougher tactics break the strike, moderate dissidents may be encouraged to put some distance between themselves and Khomeini. This would strengthen the hand of those

opponents who favor a political compromise. If the oil strike is not broken or if Khomeini calls for armed rebellion, the Shah and the military would have to decide how tough they are prepared to be in their effort to preserve the monarchy.

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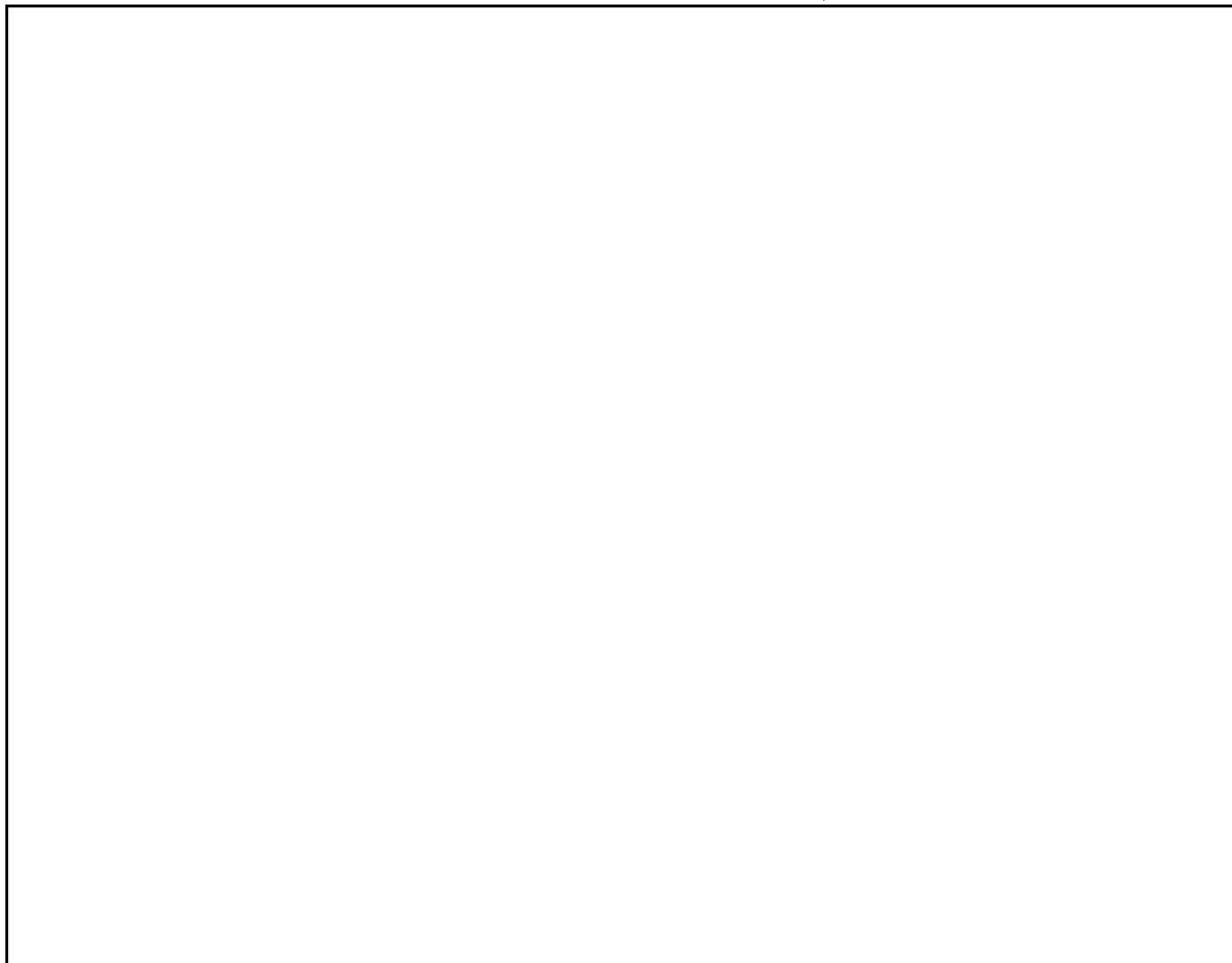
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BRAZIL: Short-Term Prospects

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//We expect the administration of President Joao Baptista Figueiredo to continue the effort begun by President Geisel to open the political system to greater civilian participation. Figueiredo could even be the last strictly military president.//

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[ ] //This "liberalization" process, though, will be subject to setbacks, and its ultimate success is by no means guaranteed. There are still, for example, important military officers who oppose liberalization; moreover, civilian pressures for further progress could eventually unnerve either Figueiredo or the military establishment as a whole and lead to a conservative backlash.//

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[ ] //We expect the new government to continue the policy of export-led economic growth that has characterized recent years, and there could be new emphasis on developing Brazil's agricultural sector. The Brazilians will remain highly dependent on and receptive to foreign investment.//

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[ ] //We also expect the new administration to scale down--but by no means abandon--Brazil's massive nuclear development program, whose centerpiece is the 1975 deal with West Germany. Financial problems will probably force the Brazilians to cut back, but their determination to master nuclear technology is in no way diminished.//

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[ ] //Finally, we believe Figueiredo has an open mind with regard to relations with the US and clearly hopes that recent tensions between the countries over nuclear nonproliferation and human rights can be overcome. Nonetheless, the new governing team will be very wary of US intentions in these areas, which will continue to be seen in Brasilia as potential stumbling blocks. [ ]

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#### PORTUGAL: Political Negotiations

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[ ] Portuguese Prime Minister - designate Mota Pinto seems to be in no hurry to form a new government. He plans to start final talks with the parties today, but even if an agreement is reached on cabinet composition, the cabinet is unlikely to take office until President Eanes returns from a five-day trip in Western Europe on Friday.

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[ ] Mota Pinto has hinted that he is planning a cabinet of independents, a logical move after the Social Democrats refused to participate in a government and the Socialists showed no enthusiasm for providing high-level members. He may also believe

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[ ]

that it will be easier to implement difficult economic reforms if the parties are not closely identified with the government as the national election nears.

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[ ] The Prime Minister - designate expressed confidence that his government would stay in office until the regular election in 1980, and the Social Democrats say they will never render the new government "unviable." The parties' lack of involvement could nevertheless make easier a decision to vote against the government in the coming months.

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[ ] On Saturday, Communist-dominated unions in Lisbon held a massive peaceful demonstration to protest the high cost of living and the caretaker government's enforcement of the agrarian reform law. The demonstration is unlikely to affect Mota Pinto's planning for his new government. [ ]

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#### UNITED KINGDOM: Labor's Chances

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[ ] //The survival of British Prime Minister Callaghan's minority Labor government in a Parliamentary test of confidence last week improves its chances of remaining in power through the winter. Although the Conservatives will continue to press issues on which the government is most vulnerable, they will be preoccupied for the next few weeks with regrouping because of recent internal dissension. A greater threat to the government's viability will come from potentially divisive wage negotiations with the trade unions and from the possibility of an economic slowdown.//

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[ ] //The Conservative and Labor Parties maintained party discipline during the vote on the Queen's speech, so the future of Callaghan's fragile Parliamentary support rested with the sometimes unpredictable minor parties. The Liberals, as expected, voted with the Conservatives against the government, but abstentions and some support from the Scottish and Welsh Nationalists and Ulster Unionists ensured the government's survival by a scant 12 votes and forestalled a general election.//

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[ ] //Callaghan's legislative package for this session is designed to placate the minor parties and minimize controversial debate that could lead to confidence votes. This tactic

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will not ensure the government's survival, but it will provide the Conservatives with fewer opportunities to try to bring the government down.//

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[ ] //The Conservatives will continue to look for an issue that could lead to a loss of confidence in the government and, because of Callaghan's precarious support in Parliament, they may succeed. Aiming at a broader public audience, they are likely to concentrate their attacks outside Parliament, primarily on the government's economic policies. Party leaders hope this will help regain the Conservative lead over Labor in the public opinion polls after a sharp decline in October and after losses in two recent byelections.//

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[ ] //The Conservatives also will be occupied during coming weeks with regrouping after internal party disagreements over pay policy and Rhodesia. Many party leaders still feel that former Prime Minister Heath's virtual endorsement of the government's pay policy at the Conservative Party's annual conference last month has damaged party unity and undercut Tory hopes to attract trade union support.//

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[ ] //The party divisions over a policy on Rhodesia recently led more than 100 Tories--from both front and back benches--to vote against the continuation of economic sanctions against Rhodesia in defiance of party policy to abstain on the vote. Although the government's legislation to continue sanctions was never threatened, the rebellion within Conservative ranks, which is likely to surface again, has led party leader Thatcher to reshuffle the shadow cabinet.//

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[ ] //The strongest test for the Callaghan government will come from efforts to continue the improvement in the economy and to enforce its controversial policy of limiting wage increases to an average of 5 percent. Increased inflation or unemployment could severely weaken the government's maneuverability in scheduling a general election.//

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[ ] //The pay policy has not yet received a major test, but strikes by several important unions are now in progress and more are expected. Talks between the government and the Trades Union Congress aimed at ironing out differences over the pay policy--even if successful--may have very little effect on individual unions. [ ]

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USSR: Salyut-6 Wrap-Up

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[ ] The USSR established several world space records during the mission of cosmonauts Ivanchenkov and Kovalenok on the Salyut-6 space station. The cosmonauts spent 138 days on board, and their flight established a cumulative record of 1,029 cosmonaut days in space. Since the launching of Salyut-6 in September 1977, the USSR has performed the first double-docking in history, the first docking of an unmanned cargo capsule, the first refueling operation in space, and the first space flights by non-Soviet, non-US astronauts.

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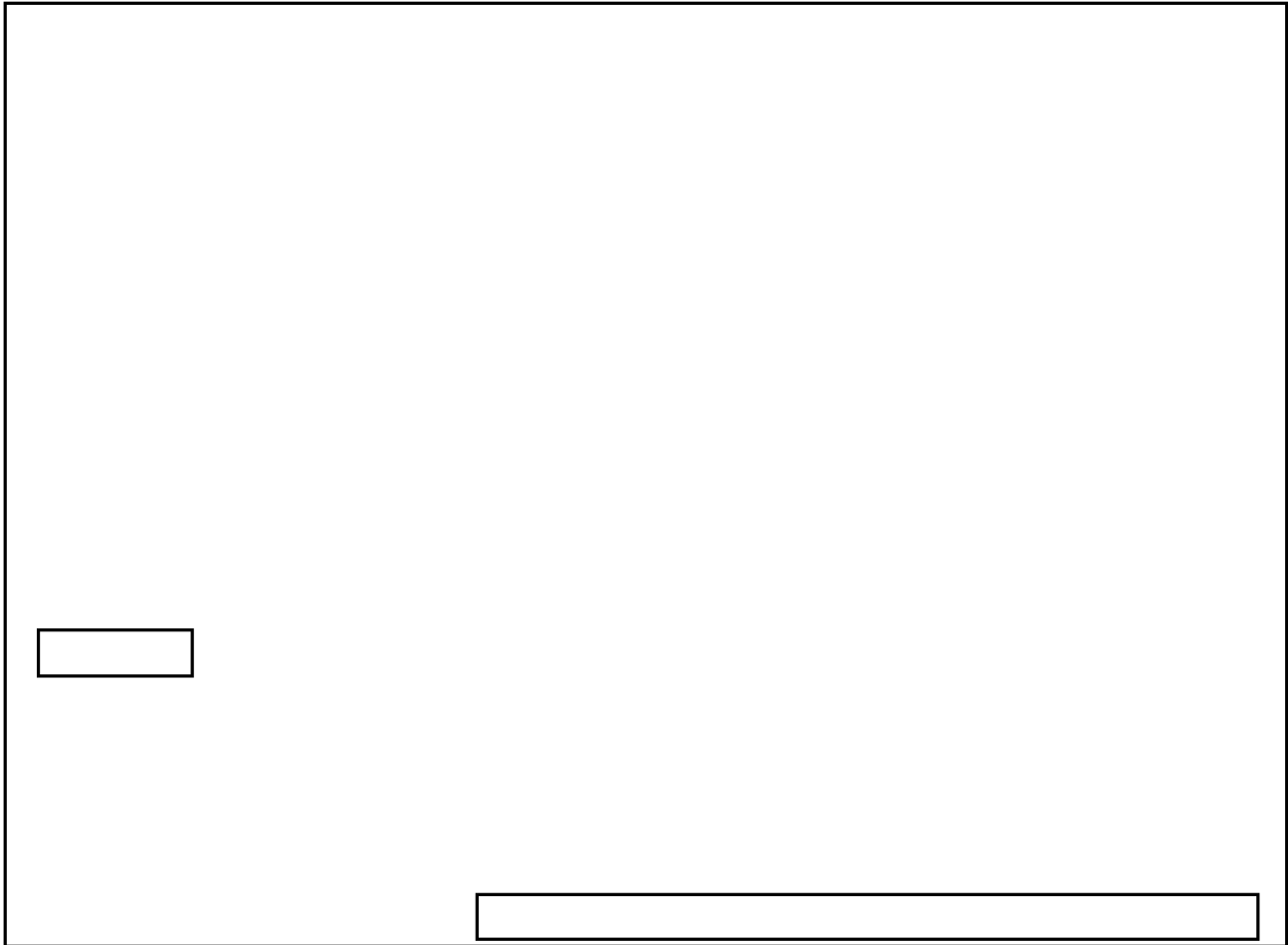
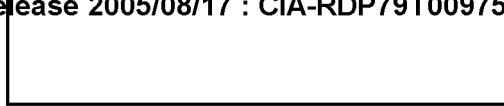
[ ] The lifetime of Salyut-6 is unknown but, with re-supply missions and cosmonaut participation in repair and replacement of onboard systems, the station could remain in orbit for five years or more. If postmission medical examinations of the cosmonauts reveal no serious medical problems, the Soviets will continue to man Salyut-6; they probably will send a new crew early next year. One of their announced goals is to have a crew in space continuously for six months or longer.

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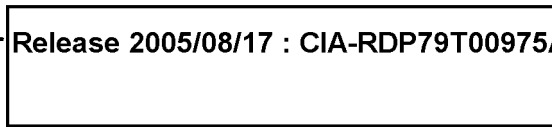
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BRIEF

Romania-Yugoslavia

[REDACTED] Romanian President Ceausescu will visit Yugoslavia for talks with Yugoslav President Tito this Thursday and Friday. This will be their first meeting in almost a year. Ceausescu is likely to brief Tito on his talks with Soviet Foreign Minister Gromyko, who paid a surprise visit to Bucharest in mid-October. Other probable items on the agenda include the forthcoming Warsaw Pact summit, rumored to be planned for later this month; the two countries' relations with Peking; and the prospects for peace in the Middle East. [REDACTED]



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